

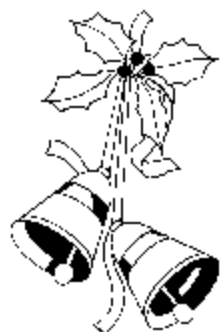
KENTUCKY AGRI-NEWS



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HAPPY HOLIDAYS
from the staff of

Kentucky Agricultural Statistics Service

FEATURING: < Crop Production < Dairy Products < Exports < Livestock Outlook

KENTUCKY'S BURLEY TOBACCO ESTIMATE UP SLIGHTLY

The December 1 forecast for the Kentucky burley crop is 378.0 million pounds. This is up 1.75 million pounds from the November 1 estimate. The production upward adjustment was brought about by a 5,000 acre decrease in acres harvested and a 50 pound increase in yield per acre. Harvested acreage was not as large as previously anticipated due to the drought. The estimated 1999 crop is 43.0 million pounds less than the established effective quota that farmers are permitted to sell. The estimated 1999 burley crop is down 9 percent from the 1998 crop. The decrease resulted from both a decrease in harvest acreage and yield per acre. Harvested acreage at 210,000 acres is down 5,000 acres from 1998 and yield per acre at 1,800 pounds per acre is down 135 pounds. A reduction in quota that can be marketed and a hot, dry summer contributed to the production decrease.

The tobacco season got off to a good start with favorable planting conditions. Tobacco going into July was in good to fair condition but then the summer turned dry and hot. Kentucky usually has rain in late August or early September that benefits tobacco growth but this year there was none. Black shank was the leading tobacco disease problem in the State this past summer while blue mold occurrence was held down by the dry, hot conditions of the summer. Tobacco cutting advanced at a faster pace than 1998 and average due to the early setting and hot summer. Farmers expressed concern about the cut tobacco drying too fast and not curing. Curing conditions this past fall have been far from ideal

with a general lack of moisture to bring the hanging tobacco in and out of case. Stripping has been slowed by lack of moisture to bring the crop into order. Farmers were concerned this fall by the crops light weight and bright color.

Gross burley tobacco sales for Kentucky through December 8, (7 sales days) totaled 146.8 million pounds according to the Agricultural Marketing Service. This represented 39 percent of the current forecast production. The above sales include resales of 4.25 million pounds. The Kentucky average price through December 8 was \$190.25 per hundred pounds. Sales for this time of year are down due to the delayed marketing season. Opening date of sales was held back two days by a longer hurricane delayed flue cured marketing season. Prices by grade were generally down with loan receipts some of the highest recorded. The Burley Cooperatives received 31.7 percent of all burley gross sales opening week. This compares with 3.5 percent for 7 market days last season. Pool purchases in past years were generally of poorer tobacco, however this marketing season good quality tobacco has been sold to the pool. Sales are scheduled through December 16 and will resume again January 10 after the Christmas holidays.

Production for the Eight-State Burley Belt is forecast at 545.4 million pounds, down 6 percent from the 1998 production of 582.3 million pounds. Kentucky production accounts for 70 percent of the Belt's production. Sales through December 8 for the Belt totaled 208.2 million pounds.

BURLEY TOBACCO

State	Acres Harvested		Yield		Production	
	1998	1999	1998	1999	1998	1999
	(Acres)		(Pounds)		(1,000 pounds)	
Indiana	8,500	6,500	2,000	1,800	17,000	11,700
KENTUCKY	215,000	210,000	1,935	1,800	416,025	378,000
Missouri <u>1/</u>	2,700	2,300	2,130	1,950	5,751	4,485
N. Carolina	8,100	8,400	1,450	1,550	11,745	13,020
Ohio	9,800	9,800	1,830	1,720	17,934	16,856
Tennessee	51,000	51,000	1,795	1,850	91,545	94,350
Virginia	10,400	11,000	1,940	2,250	20,176	24,750
W. Virginia <u>1/</u>	1,600	1,700	1,350	1,300	2,160	2,210
BELT TOTAL	307,100	300,700	1,896	1,814	582,336	545,371

1/ Estimates for current year carried forward from earlier forecast.

U.S. DAIRY PRODUCTS, OCTOBER 1999

PRODUCT	October	September	October	Percent of	
	1998	1999 <u>1/</u>	1999	Oct. 1998	Sept. 1999
	(000) Pounds			Percent	
BUTTER	88,497	78,773	93,312	105	119
CHEESE					
American Types <u>2/</u>	266,840	283,603	297,798	112	105
Mozzarella	200,272	202,067	205,024	102	102
All Other Types <u>3/</u>	165,025	152,741	162,137	98	106
Total	632,137	638,411	664,959	105	104
	(000) Gallons			Percent	
FROZEN PRODUCTS					
Ice Cream (Hard)	64,844	71,766	62,528	96	87
Frozen Yogurt (Total)	6,783	6,987	5,592	82	80
MIX FOR FROZEN PRODUCTS					
Ice Cream Mix	36,328	40,177	36,732	101	91
Yogurt Mix	4,293	4,422	3,539	82	80

1/ Revised. 2/ Includes Cheddar, Colby, Monterey, and Jack. 3/ Includes Swiss, cream and all other types. Excludes cottage cheese.

FISCAL 2000 U.S. AGRICULTURAL EXPORTS REDUCED TO \$49 BILLION

Lower grain prices and stronger than anticipated grain export competition in August are primarily responsible for the \$1 billion reduction in forecast fiscal 2000 U.S. agricultural export value to \$49 billion, unchanged from fiscal 1999. As in August, import projections remain at \$38 billion, just over 1999 import levels. The expected export surplus narrows to \$11 billion, lower than in 1999, and the lowest since 1987. Since August, expected export volume of wheat, corn, and soybeans has been lowered a total of 5.4 million tons due to anticipated larger foreign production and increased export competition from a number of countries. In addition, wheat still is suffering from weak global demand. With ample supplies of grains, prices have been pressured lower and expected export value also has been reduced by \$500 million for wheat and \$300 million for corn. Prospects for smaller U.S. soybean supplies, however, have pushed U.S. soybean prices up, and expected soybean export value is unchanged from August. The year-to-year rise in imports is attributed mainly to horticulture products-up \$400 million both from the August forecast and from 1999. U.S. demand for fruits, juices, vegetables, and wine is expected to continue rising, driven partly by the dollar's high purchasing power.

U.S. Agricultural Trade, Fiscal Years, 1995 - 2000 - Year ending September 30

Item	1995	1996	1997	1998	1999	Fiscal 2000	
						Aug.	Nov.
Billion dollars							
Exports	54.6	59.8	57.3	53.6	49.0	50.0	49.0
Imports	29.9	32.6	35.8	37.0	37.5	38.0	38.0
Balance	24.7	27.2	21.5	16.6	11.5	12.0	11.0

This outlook reflects commodity forecasts in the Nov. 10, 1999, World Agricultural Supply and Demand Estimates.

LIVESTOCK SITUATION AND OUTLOOK

Beef Prices Surge

Rising beef supplies and sharply higher prices are a welcome end to a decade of frustration for the U.S. beef industry. But more importantly what does this situation suggest for the next couple of years as beef supplies decline following unprecedented heifer slaughter over the past couple of years. The return of dry conditions and poor winter grazing prospects throughout the south has reduced incentives to hold back heifers for the 2000 breeding season. In spite of sharply higher cattle prices the industry is not comfortable with expansion ideas. Grain prices remain low and hay production was record large in 1999, although supplies will be very tight this winter throughout the south particularly with the prospect of poor small grain pasture.

Total U.S. beef consumption is expected to rise nearly 2 percent this year, while beef exports are likely to rise 7 percent. Economic growth continues strong in the U.S. and world growth has returned, particularly in Asia. While beef prices are clearly higher, the reasons with larger supplies aside from the income effect is less clear. Supplies of higher quality beef have below market needs, but seasonally supplies of higher quality beef should be increasing, prices alone are encouraging feeding to Choice. Many hotels and restaurants have booked quality beef ahead to insure supplies, and the Millennium effect in concert with expectations for a more festive holiday season have also bolstered demand for higher quality beef to insure adequate supplies. Tastes and preferences change relatively slowly and clearly supplies of competing meats remain large at very competitive prices.

Both the cow-calf and feedlot sectors are expected to be profitable this year, with profits in the cow-calf sector likely to continue at least through 2002. Low feed costs will help feedlot operators, but fierce competition for a declining supply of feeder cattle will result in much of the potential fed cattle price gains being bid into feeder cattle prices. In the cattle feeding budget for October cattle feeders returns were \$6.09 per cwt. However, a year ago 750-800 pound feeder steers were averaging \$70.26 per cwt, this year they averaged \$80.53 in October and are expected to go higher.

Dairy

Surging milk production finally began to overtake strong demand and dropped most wholesale dairy product prices sharply. Mid-November cheese prices were near support purchase prices after plunging almost 45 percent from the August record. Similarly, butter prices have fallen about 25 percent from their August peak. Late 1999 and early 2000 milk prices will be down sharply from a year earlier and the lowest in 5 years.

Gains in milk per cow and about unchanged cow numbers are expected to lift milk production about 2 percent in 2000, following this year's 3-percent rise. Increases from a year earlier probably will be significant throughout 2000 but may diminish slowly as the year progresses. Total milk output in 2000 will be almost three times as much as in 1900, trailing the century's population growth.

Hog Prices Steady

Since weekly hog slaughter rates rose seasonally to over 2 million head in mid-September hog prices have remained generally steady in the mid-\$30's per cwt. Prices hit a yearly high in August at \$39. Burdensome stocks in cold storage dropped as food aid to Russia began to move. In addition, pork price featuring in October and rising retail beef prices put pork in a better competitive situation in the retail store. Weekly slaughter rates are expected to exceed 2 million head in non-holiday weeks and continue into at least early next year. With abundant pork and predominance of turkey during the holiday season, hog prices could slip into the high \$20's late this year. Last year hog prices dropped sharply; averaging \$20 per cwt in November and \$17 in December.

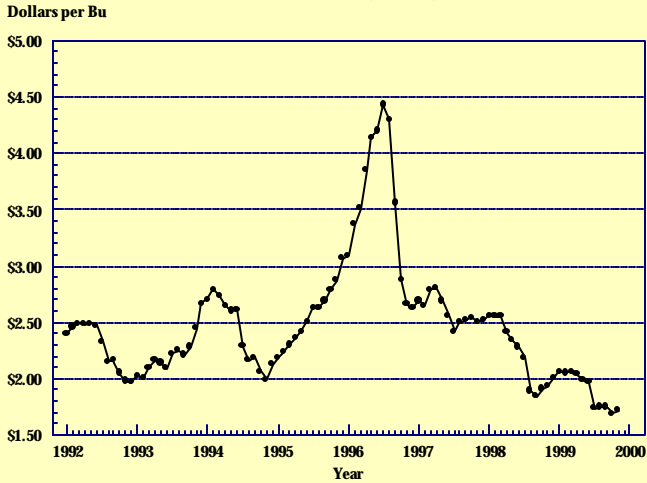
Pork production this year is expected to increase about 2 percent due to increased first-half production. This increased production was the result larger pig crops in the second half of 1998 and heavier dressed weights. Given the breeding herd reductions and September farrowing intentions, pork production is expected to drop about 4 percent in 2000.

Declining pork and beef supplies next year will boost hog prices near \$40 per cwt by the middle of 2000, then prices are expected to drop seasonally into the mid \$30's. For the year, prices are expected to average about \$3 per cwt higher than in 1999. Large poultry supplies and lower exports are expected to moderate pork and hog price increases.

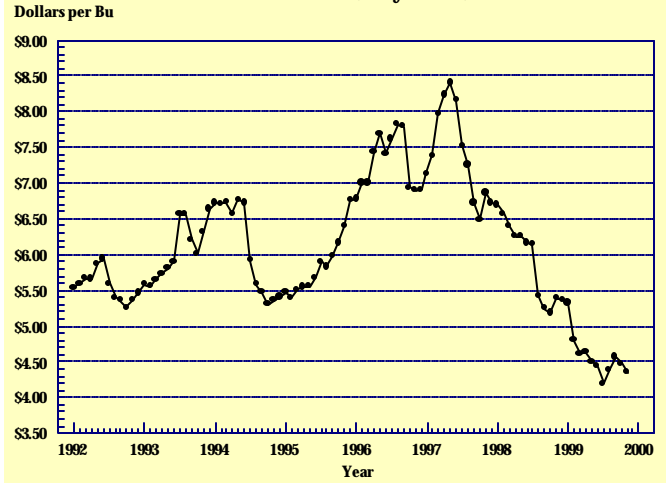
Poultry Production Stays Strong

Poultry producers are having a relatively good year in 1999. Broiler and egg operations will not be quite as profitable as in 1998, but producers are still in a favorable enough position to continue expanding production in 2000. Weaker than expected third-quarter 1999 broiler and egg prices and slightly increased production costs due to stronger prices for some feed ingredients should help temper expansion plans. Broiler and egg production is expected to increase more slowly in 2000 than it has in 1999.

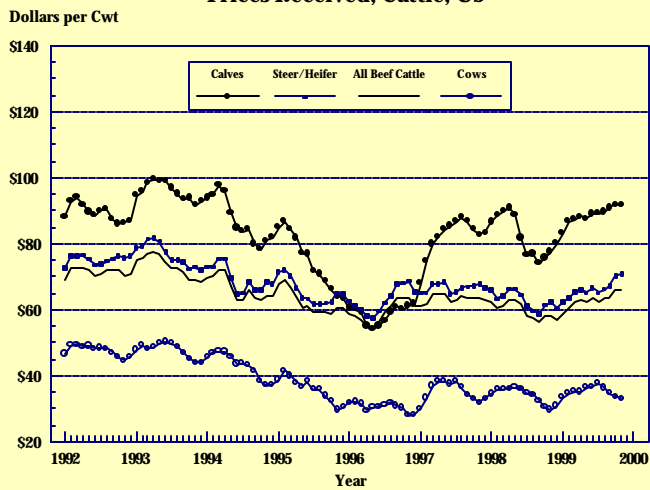
Prices Received, Corn, US



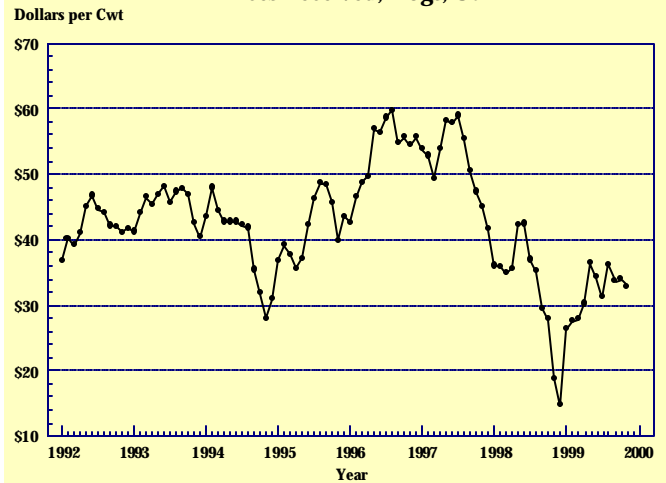
Prices Received, Soybeans, US



Prices Received, Cattle, US



Prices Received, Hogs, US



Internet Access: Kentucky Agricultural Statistics Service (KASS) data including this report are available free of charge on our Internet homepage located at <http://www.nass.usda.gov/ky>. Links to the Kentucky Department of Agriculture, the University of Kentucky Agricultural Weather Center and other web sites related to Kentucky Agriculture are also included. National & State reports and data are available on the National Agricultural Statistics Service (NASS) homepage located at <http://www.usda.gov/nass/>

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